smartlife™

MONTHLY NEWSLETTER

CORBETT ROAD
WEALTH MANAGEMENT

December 2023

64%

Percentage of charitable giving in 2022 that came from individuals. The rest was from foundations (21%), bequests (9%), and corporations (6%). Although individuals are by far the largest source of giving, their share has been declining, and this is the fourth consecutive year that is was under 70%.

Source: *Giving USA, 2023*

$3,822

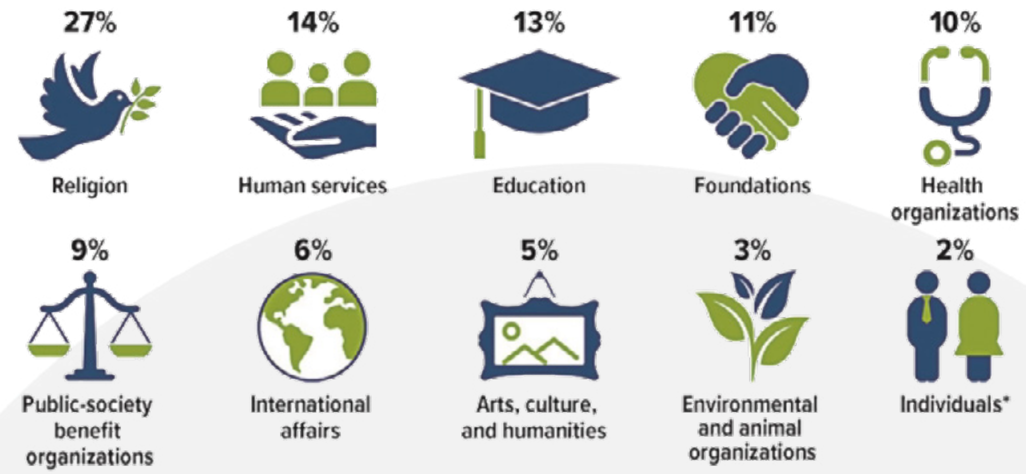
Maximum monthly Social Security benefits for someone who claims benefits at full retirement age in 2024. Someone who claims at age 62 in 2024 would only be eligible for a maximum of $2,710, while a claimant who delayed to age 70 could receive a maximum of $4,873. To receive the maximum benefit, you must earn the maximum income subject to Social Security tax for each of your 35 highest-earning years. This is indexed for inflation and has ranged from $25,900 in 1980 to $168,600 in 2024.

Source: *Social Security Administration, 2023*

WHAT'S INSIDE

DECLINE IN CHARITABLE GIVING

Americans gave almost $500 billion to charity in 2022 — a strong show of generosity by a 3.4% decline (10.5% adjusted for inflation) from record giving in 2021. This was only the fourth time in the last 40 years that charitable giving fell in current dollars. The stock market downturn, high inflation, and other economic uncertainties caused many households to cut back on giving. Even so, a wide range of charities benefited from generous donations. Here are the types of recipients, by percentage of total charitable contributions.



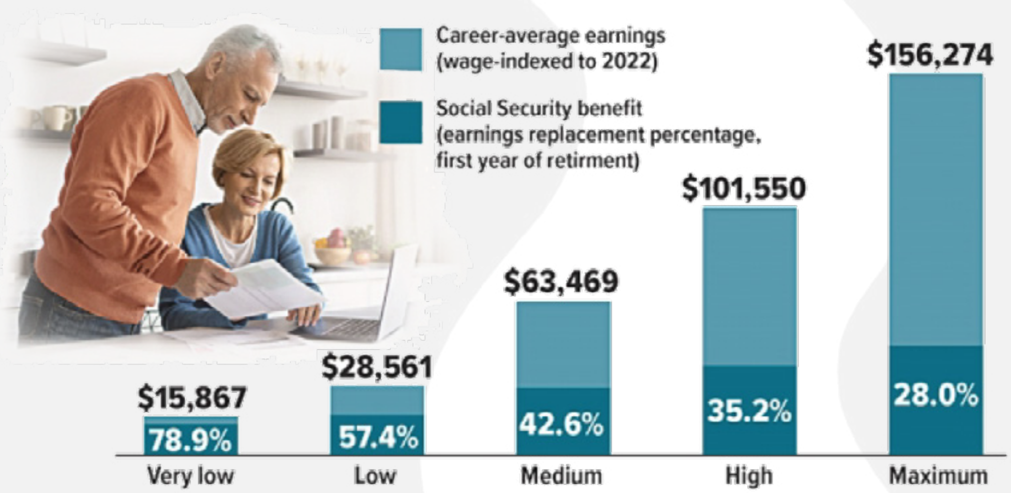
Source: *Giving USA, 2023*

*Primarily donations of medications from pharmaceutical company foundations

HOW MUCH INCOME DOES SOCIAL SECURITY REPLACE?

Social Security can plan an important role in funding retirement, but it was never intended to be the only source of retirement income. The Social Security benefit formula is based on a worker's 35 highest-earning years (indexed for inflation), and the percentage of pre-retirement income replaced by the benefit is lower for those with higher earnings, reflecting the assumption that higher earners can fund retirement from other sources.

Here are replacement rates — based on five levels of earnings — for someone who claims benefits at full retirement age (FRA) in 2024 (i.e., born in 1958 and claiming at age 66 and 8 months). Rates would be similar for those who claim at FRA in other years.



Source: *Social Security Administration, 2023 (Rates are based on scheduled benefits under current law and may be significantly lower in the future if Congress does not address the Social Security shortfall.)*

REVIEWING YOUR ESTATE PLAN

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. Due to its importance and because circumstances change over time, you should periodically review your estate plan and update it as needed.

When Should You Review Your Estate Plan?

Reviewing your estate plan will alert you to any issues that need to be addressed. For example, you may need to make changes to your plan to ensure it meets all of your goals, or when an executor, trustee, or guardian can no longer serve in that capacity. Although there's no hard-and-fast rule, you'll probably want to do a quick review each year, because changes in the economy and in the tax code often occur on an annual basis. At least every five years, do a more thorough review.

You should also revisit your estate plan immediately after a major life event or change in your circumstances.

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren.
- There has been an addition to your family through birth, adoption, or marriage (stepchildren).
- Your spouse or a family member has died, has become ill, or is incapacitated.
- Your spouse, your parents, or another family member has become dependent on you.
- There has been a substantial change in the value of your assets or in your plans for their use.
- You have received a sizable inheritance or gift.
- Your income level or requirements have changed.
- You are retiring.
- You have made (or are considering making) a change to any part of your estate plan.

Some Things to Consider

- Who are your family members and friends? What is your relationship with them? What are their circumstances in life? Do any have special needs?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Is your choice of an executor or a guardian for your minor children still appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or do-not-resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust or durable power of attorney to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiaries at your death.
- Do you have any trusts, either living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust. (The use of trusts involves a complex web of tax rules and regulations, and usually involves upfront costs and ongoing administrative fees. You should consider the counsel of an experienced estate professional before implementing a trust strategy.)
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

Please see important disclosures at the end of this newsletter

UNDERSTANDING LIFE INSURANCE

Your most valuable asset may be your ability to earn an income. Over the course of your lifetime, you could earn several million dollars — money that helps support you and your family. If something happened to you, how would your family replace your lost income? Life insurance can help replace your income when needed at your death. However, with the wide variety of policies available, it's important that you understand some of the basic types of life insurance coverage.

Term Life Insurance

With a term policy, you get "pure" life insurance coverage. Term insurance provides a death benefit for a specific period of time. If you die during the coverage period, your beneficiary (the person you named to collect the insurance proceeds) receives the death benefit (the face amount of the policy). If you live past the term period, your coverage ends, and you may get nothing back. Term insurance is available for periods ranging from one year to 30 years or more. You may be able to renew the policy for a new term without regard to your health, but at a higher premium. As you get older, the chance that you will die increases. For this reason, premiums generally increase as you get older. However, some term life insurance can be purchased for a fixed amount of death benefit, at a level premium, for a specified number of years. Most term insurance also has a conversion feature that allows you to switch your coverage to some type of permanent insurance without answering health questions.

Whole Life Insurance

Whole life insurance is a type of permanent insurance or cash value insurance. Unlike term insurance, which provides coverage for a particular period of time, permanent insurance provides coverage for your entire life, as long as you pay the premiums. When you make premium payments, you pay more than is needed to pay for the current costs of insurance coverage and expenses. The excess payment is credited to a cash value account. This cash value account allows the insurance company to charge a level premium and to provide a death benefit and cash value throughout the life of the policy. The cash value grows tax deferred and can be directly accessed through a partial or complete surrender of the policy, or through policy loans. It is important to note, however, that a policy loan or partial surrender will reduce the policy's death benefit, and a complete surrender will terminate coverage altogether.

Universal Life Insurance

Universal life is another type of permanent life insurance with a death benefit and a cash value account. Unlike traditional whole life, universal life insurance allows you flexibility in making premium payments. Universal life insurance policy premiums may be adjusted upward or downward within policy guidelines. Reducing or increasing premiums will impact the growth of the cash value component and possibly the death benefit. Some universal life policies also allow you to choose a level or increasing death benefit. Be aware, though, that if you want to raise the amount of coverage, you'll need to go through the insurability process again, probably including a new medical exam, and your premiums will increase.

Strong Interest in Life Insurance

71% of insured parents would feel financially secure if a primary wage earner were to pass away vs. 48% of uninsured parents

50% of millennials intend to buy life insurance within the next year

41% of adults (both insured and uninsured) say they don't have enough coverage

40% of Gen Z parents haven't purchased life insurance because they don't know how much they need or what type to buy

Source: *2023 Insurance Barometer Study, Life Happens and LIMRA*

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. There are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. Any guarantees are subject to the financial strength and claims-paying ability of the insurance issuer. Loans and withdrawals will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy cash values, if you take out a loan, or if current charges increase.

WILL YOU WORK BEYOND TRADITIONAL RETIREMENT AGE?

More than seven out of 10 current workers in a recent survey said they expect a paycheck to play a role in their income strategy beyond traditional retirement age. In fact, 33% expect to retire at age 70 or older, or not at all.[1]

If you expect to continue working during your 60s, 70s, or beyond, consider the advantages and disadvantages carefully. Although working can enhance your retirement years in many ways, you may also face unexpected consequences, particularly when it comes to Social Security.

Advantages

There are many reasons why you may want to work during retirement. First and perhaps most obvious, a job offers a predictable source of income that can help pay for basic necessities, such as food, housing, and utilities.

Working may also allow you to continue saving on a tax-deferred basis through a work-based retirement savings plan or IRA. Traditional retirement accounts generally require you to take minimum distributions (RMDs) after you reach age 73 or 75, depending on your year of birth; however, if you continue working past RMD age, you can typically delay RMDs from a current employer's plan until after you retire, as long as you don't own more than 5% of the company. (Roth IRAs and, beginning in 2024, work-based Roth accounts do not impose RMDs during the account owner's lifetime.)

Moreover, employment can benefit your overall well-being through social engagement with colleagues, intellectual stimulation, and, if you're employed in a field that requires exertion and movement, mobility and fitness.

Working may also provide access to valuable health insurance coverage, which can supplement Medicare after the age of 65. Keep in mind that balancing work-sponsored health insurance and Medicare can be complicated, so be sure to seek guidance from a qualified professional.

A paycheck might also allow you to delay receiving Social Security benefits up to age 70. This will not only increase your monthly benefit amount beyond what you'd receive at early or full retirement age, it will add years of earnings to your Social Security record, which could further enhance your future payments.

If one of your financial goals is to leave a legacy, working longer can help you continue to build your net worth and preserve assets for future generations and causes.

Why Retirees Work

Source: *Employee Benefit Research Institute, 2023 (multiple responses allowed)*

Disadvantages

There are some possible drawbacks to working during retirement, especially regarding Social Security. For instance, if you earn a paycheck and receive Social Security retirement benefits before reaching your full retirement age (66–67, depending on your year of birth), part of your Social Security benefit will be withheld if you earn more than the annual Social Security earnings limit. However, the reduction is not permanent; in fact, you'll likely receive a higher monthly benefit later. That's because the Social Security Administration recalculates your benefit when you reach full retirement age and omits the months in which your benefit was reduced.

After reaching full retirement age, your paycheck will no longer affect your benefit amount. But if your combined income (as defined by Social Security) exceeds certain limits, it could result in federal taxation of up to 85% of your Social Security benefits.

Perhaps the biggest disadvantage to working during retirement is ... working during retirement. In other words, you're not completely free to do whatever you want, whenever you want, which is often what people most look forward to at this stage of life.

Finally, a word of caution: Despite your best planning and efforts, you may find that you're unable to work even if you want to. Consider that nearly half of today's retirees left the workforce earlier than planned, with two-thirds saying they did so because of a health problem or other hardship (35%) or changes at their company (31%).[2]

For these reasons, it may be best to focus on accumulating assets as you plan for retirement, viewing work as a possible option rather than a viable source of income.

1-2) *Employee Benefit Research Institute, 2023*

MEDICAL DEBT AND YOUR CREDIT REPORT

It's no surprise that consumers are contacted by debt collectors about medical bills more than any other type of debt.[1] After all, the complex world of medical billing and collection practices is extremely difficult to navigate. Many people have trouble understanding what the various billing codes on a medical bill even mean.

Historically, this has led to consumers racking up unpaid medical bills because they were unaware of what they owed or were in the process of disputing what they owed to their health care provider. These unpaid bills were then often reported to credit bureaus, negatively impacting credit reports.

Fortunately, there have been changes to the way medical debt is reported on credit reports. As of July 1, 2022, the three nationwide credit reporting companies (Equifax, Experian, and TransUnion) no longer include medical debt that was paid after it was sent to collections.

The credit reporting companies have also increased the amount of time before medical debt in collections appears on credit reports, extending it from six months to one year. This additional time is meant to give consumers the opportunity to settle any disputed charges or work out a payment plan with their health care providers.

Finally, as of April 11, 2023, the credit reporting companies no longer include medical debt in collections of less than $500 on credit reports. It's estimated that with this last step, roughly half of those with medical debt on their credit reports will have it removed from their credit history.[2]

If you have unpaid medical bills, there are some steps you can take to make sure that they aren't negatively impacting your credit. First, check your credit report. You have the right to request one free copy of it every week from each of the three major consumer reporting companies at AnnualCreditReport.com.

Once you obtain your credit report, make sure that any medical bill that is under $500, less than a year old, or has been paid off no longer appears on your credit report. If you find a medical billing error (or any other error), you have the right to dispute it by contacting both the credit reporting company and the company that provided the erroneous information. You can also file a complaint with the Consumer Financial Protection Bureau at consumerfinance.gov.

1-2) *Consumer Financial Protection Bureau, May 2023*

GET READY TO VISIT THE METAVERSE

If you can't help but notice a growing fascination with "the metaverse," both in pop culture and the financial news, you may be wondering what all the buzz is about. Contrary to how it sounds, there is no single, definitive metaverse — at least not yet. The term refers broadly to the various 3-D digital spaces that are being created with emerging technologies such as virtual reality (VR), augmented reality (AR), and artificial intelligence (AI), so that people can have more lifelike online experiences.

Giant tech companies and innovative start-ups have already spent billions of dollars to build virtual worlds and develop related software, devices, and accessories (such as headsets, bodysuits, and gloves with sensors). And some of them have little to show for it but steep losses.[1]

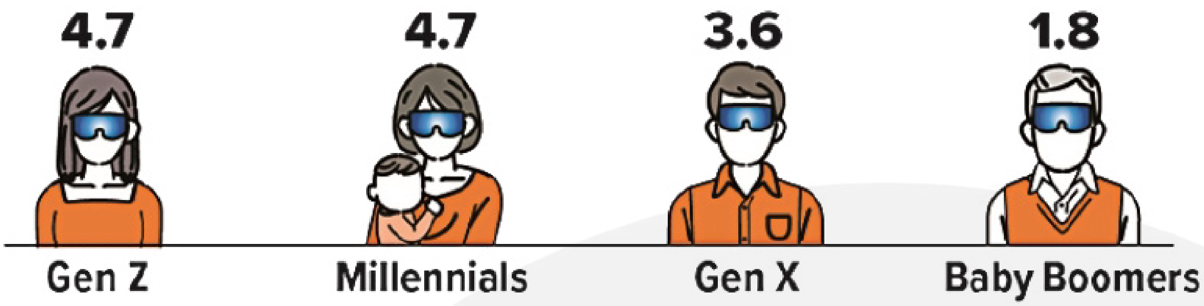
Even so, continuing expansion of the metaverse is expected to have a major impact on the real business world, potentially to the tune of $100 billion by the end of the decade.[2]

Is It the Future or Just a Game?

With virtual reality, users can interact with the digital images and video that they see inside their goggles. Augmented reality means that digital content is overlaid on top of real-world views. Mixed-reality applications combine elements of VR and AR. Each user is depicted by an avatar that represents that person's online identity.

As it stands now, social gaming platforms are the most popular and familiar example of the metaverse. However, early adopters have donned their headsets to participate in immersive workout sessions and attend virtual live events such as concerts and music festivals. One survey found that many people can see themselves using the metaverse to shop (48%), seek health care (47%), travel virtually to other places (46%), catch up with friends and family (45%), learn something new (43%), collaborate with others (35%), or even go on a date (28%), in the next five years.[3]

Amount of time that people expect to spend in the Metaverse if five years, by generation (hours per day)



Source: *McKinsey, 2022*

Tech moguls seem confident that the metaverse is the inevitable evolution of the internet. Still, it's yet to be seen how compelling these virtual worlds will turn out to be. And with cutting-edge devices selling for $1,500 to $3,000 and up, it could be a while until access to the metaverse is affordable for the typical consumer.[4]

1-2, 4) *Bloomberg.com, January 23, 2023*
3) *McKinsey, 2022*

IMPORTANT DISCLOSURES

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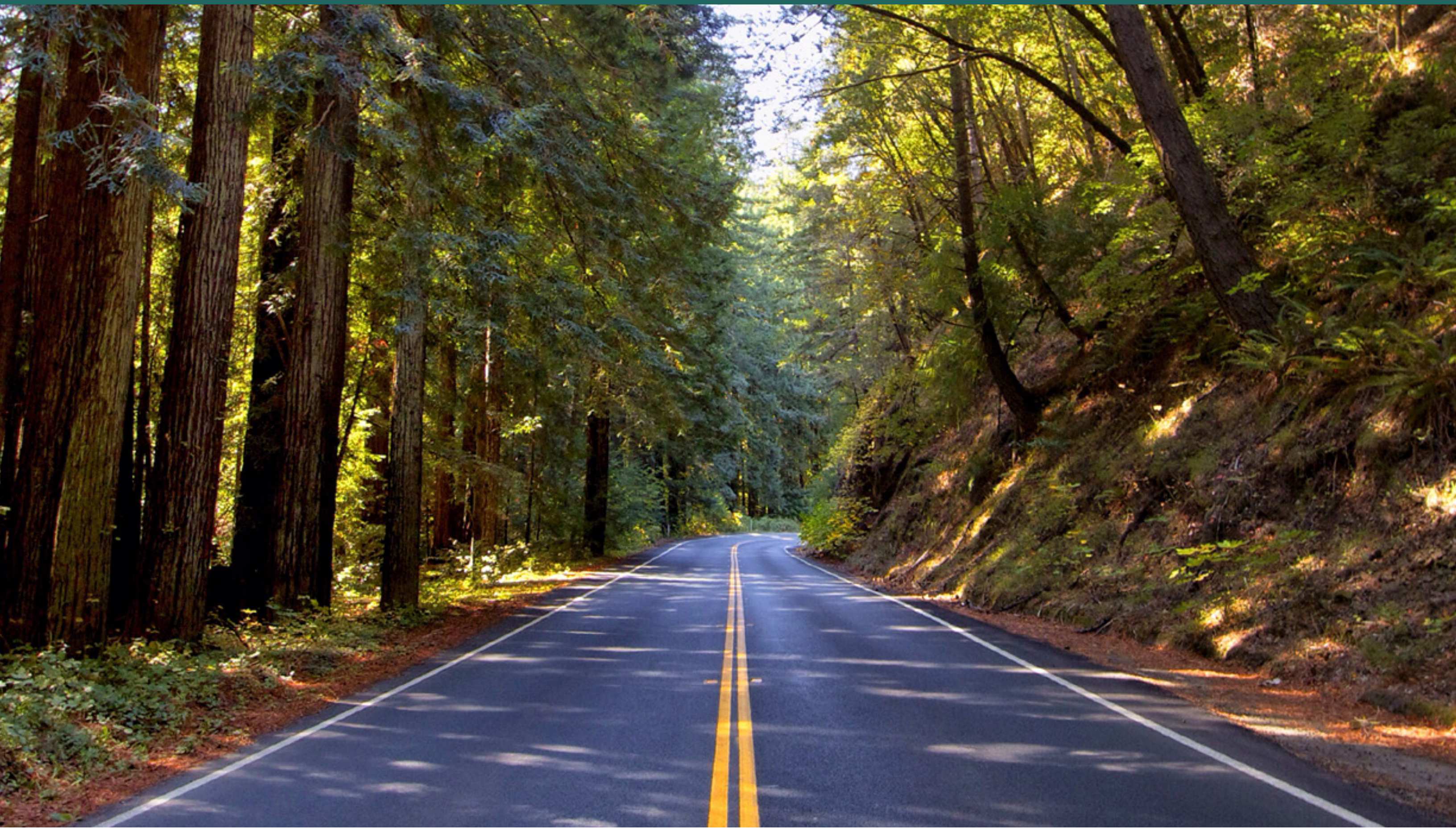

Let's keep in touch

Toll Free: 844.688.4955
info@corbettroad.com
www.corbettroad.com
linkedin.com/company/corbettroad

Washington, D.C.
7901 Jones Branch Dr
Suite 800
McLean, VA 22102
Local: 703.748.5836

Boston, MA
101 Arch St
8th Floor
Boston, MA 02110
Local: 617.600.7930

Los Angeles, CA
1901 Avenue of the Stars
Suite 200
Century City, CA 90067
Local: 310.591.5674

Fort Lauderdale, FL
2598 E. Sunrise Blvd
Suite 2104
Ft. Lauderdale, FL 33304
Local: 954.507.6028

Knoxville, TN
800 S. Gay St
Suite 700
Knoxville, TN 37929
Local: 865.444.4520

Phoenix, AZ
2375 E. Camelback Rd
Suite 600
Phoenix, AZ 85016
Local: 602.807.1145

St. Louis, MO
7777 Bonhomme Ave
Suite 1800
Clayton, MO 63105
Local: 314.463.0132

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